

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-14 ISO-00 AGRE-00 CEA-01 CIAE-00

COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03

LAB-04 NSAE-00 NSC-05 PA-02 CTME-00 AID-05 SS-15

STR-07 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 SOE-02

OMB-01 DOE-11 ARA-14 NEA-10 /149 W

-----090037 310457Z /14

R 301628Z JAN 78

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 2578

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMCONSUL MILAN

AMEMBASSY PARIS

UNCLAS LONDON 01587

USEEC, USMTN, USSCC, USOECD

PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, ETRD, EEC

SUBJECT: EFFECTS OF NEW EUA CONVERSION RATE ON US

TOBACCO ENTRY INTO UK

REF: STATE 10743, BRUSSELS 161, STATE 10968

1. THE EFFECTIVE DUTY ON US TOBACCO SHIPPED TO THE UK
WILL RISE ABOUT 52 PERCENT AS A RESULT OF THE NEW EUA
CONVERSION RATE. US TOBACCO, BEING THE HIGHEST PRICED
TOBACCO IN THE IMPORT MARKET, WILL SUFFER THE SHARPEST
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INCREASES. CHANGES IN VALUE THRESHOLD WERE NOT RELEVANT
TO OUR ANALYSIS IN THE UK AS US TOBACCO IS PRICED WELL
ABOVE 280EUA AND PRINCIPAL COMPETITORS ARE MARKED
SUBSTANTIALLY BELOW. THE TARIFF INCREASE WILL SOUNDLY
SUPPRESS ANY PROSPECTS FOR GROWTH OF US TOBACCO IN THE
UK MARKET BUT IS UNLIKELY TO REDUCE USAGE AS MUCH AS THE
PRICE INCREASE WOULD INDICATE. SUBSTITUTES FOR THE

HIGHER GRADE VIRGINIA TOBACCO ARE DIFFICULT AND WITH INCREASING USE OF SUBSTITUTES, HIGHER GRADES WILL BE IN GREATER DEMAND AS THE LOWER GRADES ARE REPLACED BY SYNTHETIC FILLERS.

2. THE GOLD-PARITY UA FOR THE UK ON JULY 1, 1977 WAS .4166, THE UK EUA JANUARY 1, 1978 WAS 0.633741 - A 52 PERCENT INCREASE. THE AVERAGE UNIT VALUE FOR TOBACCO IMPORTED INTO THE UK FROM THE US FOR THE FIRST 10 MONTHS OF 1977 WAS 1.09 POUNDS/LB. (\$2.14/LB. - \$471/100 KGS.). THE VALUE THRESHOLD IN THE GOLD-PARITY UA WAS \$227/100 KGS. USING THE EUA CONVERSION, THE THRESHOLD RISES TO \$346/100 KGS. STILL WELL BELOW THE AVERAGE IMPORT PRICE OF US TOBACCO OF \$471/100 KGS. THE 45UA PER 100 KGS. NET DUTY REMAINS APPLICABLE TO US TOBACCO. NOW, HOWEVER, THE EFFECTIVE DUTY IS NO LONGER \$36.56/100 KGS. BUT \$55.58/100 KGS., A 5 PERCENT INCREASE.

3. CHEAPER GRADE TOBACCO FROM BRAZIL, INDIA, MALAWI WILL SUFFER SIMILAR CONSEQUENCES IN CATEGORY 24.01B. RELATIVE COMPETITIVE POSITIONS WILL REMAIN UNCHANGED.

4. .4166UA AS PUBLISHED IN HM CUSTOMS AND EXCISE TARIFF, JULY 1, 1977 PART 3B(L)(II). 0.63374EUA AS PUBLISHED IN OFFICIAL JOURNAL OF EUROPEAN COMMUNITY, JANUARY 18, 1978.
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BREWSTER

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TOBACCO, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 30 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON01587
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Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
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Format: TEL
From: LONDON
Handling Restrictions: n/a
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Legacy Key: link1978/newtext/t1978018/aaaaagpr.tel
Line Count: 96
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Litigation History:
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Office: ACTION EB
Original Classification: UNCLASSIFIED
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Original Previous Classification: n/a
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